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Medicare Debate Turns to Pricing of Drug Benefits

By ROBERT PEAR

WASHINGTON, Nov. 23 — With Congress poised for final action on a major Medicare bill this week, some of the fiercest debate is focused on a section of the bill that prohibits the government from negotiating lower drug prices for the 40 million people on Medicare.

That provision epitomizes much of the bill, which relies on insurance companies and private health plans to manage the new drug benefit. They could negotiate with drug companies, but the government, with much greater purchasing power, would be forbidden to do so.

Supporters of the provision say it is necessary to prevent the government from imposing price controls that could stifle innovation in the pharmaceutical industry. Critics say the restriction would force the government and Medicare beneficiaries to spend much more for drugs than they should.

The House passed the Medicare bill on Saturday by a vote of 220 to 215, after an all-night session and an extraordinary three-hour roll call. President Bush and House Republican leaders persuaded a few wayward conservatives to vote for the bill, which calls for the biggest expansion of Medicare since its creation in 1965.

In the Senate, debate continued on Sunday, with Democrats asserting that the bill would severely undermine the traditional Medicare program. Senator Edward M. Kennedy, Democrat of Massachusetts, said he would lead a filibuster against the measure.

Democrats acknowledged they did not have the votes to sustain a filibuster. But they said they would use points of order to slow the legislation, whose passage is a priority for President Bush.

Senators Dianne Feinstein of California, Ron Wyden of Oregon, and Kent Conrad of North Dakota, all Democrats, announced on Sunday that they would vote for the bill. Other Democratic senators who have endorsed it include Max Baucus of Montana, John B. Breaux and Mary L. Landrieu of Louisiana, Blanche Lincoln of Arkansas and Ben Nelson of Nebraska.

But Senator Don Nickles, Republican of Oklahoma, said he would vote against the \$400 billion bill.

"We are building a new expansion onto a house that's teetering on a cliff," Mr. Nickles said. "We are saddling future generations with enormous liabilities."

No provision has been mentioned more often in Congressional debate than the section that prohibits the government from interfering in negotiations with drug companies.

Democrats have repeatedly asserted that Medicare could provide more generous drug benefits if, like other big buyers, it took advantage of its market power to secure large discounts.

But many Republicans have expressed alarm at the possibility that federal officials might negotiate drug prices. The Medicare program, they say, dwarfs other purchasers, and the government is unlike other customers because it could give itself the power to set prices by statute or regulation, just as it sets the rates paid to doctors and hospitals for treating Medicare patients.

Under the bill, the government would subsidize a new type of insurance policy known as a prescription drug plan.

"In order to promote competition," the bill says, the secretary of health and human services "may not interfere with the negotiations between drug manufacturers and pharmacies and prescription drug plan sponsors, and may not require a particular formulary or institute a price structure for the reimbursement" of drugs.

Tommy G. Thompson, the secretary of health and human services, said Sunday that if Congress wanted to give him the power to negotiate drug prices, it could do so next year. But "that's not a reason to oppose this Medicare bill," said Mr. Thompson, who negotiated with Bayer to obtain a lower price for the company's anthrax medicine, the antibiotic Cipro, in 2001.

Representative Tom Allen, Democrat of Maine, said it struck him as absurd that "the government will not be able to negotiate lower prices" for the drugs on which it plans to spend \$400 billion in the next decade.

"The bill will allow the pharmaceutical industry to continue charging America's seniors the highest prices in the world," Mr. Allen said.

Representative Peter A. DeFazio, Democrat of Oregon, said, "We could provide a much more meaningful benefit if we negotiated lower prices as other nations have done."

Representative Rahm Emanuel, Democrat of Illinois, said: "We could bring down drug prices if we allowed the secretary of health and human services to negotiate on behalf of 40 million seniors. That is what Sam's Club does."

Sam's Club, a chain of warehouse stores that is a division of Wal-Mart, acts like a purchasing agent for its members, who can buy low-price goods.

Republicans say that health plans will be able to negotiate lower drug prices for Medicare beneficiaries, just as they do for large groups of employees with private insurance.

The Senate majority leader, Bill Frist, Republican of Tennessee, said: "We tend to use the purchasing power of private entities like individual plans to hold down costs over time. The Democrats tend to emphasize, and thus push for, more government control, government purchasing. We just think that competition through the private sector, through bulk purchasing and negotiation, is a more effective means to hold down prices."

Medicare drug plans would be offered by state-licensed insurance companies. They, in turn, could hire pharmacy benefit managers like Express Scripts, Medco Health Solutions and AdvancePCS to negotiate with drug makers, issue discount cards and line up networks of pharmacies.

The bill would also create a benefit: an initial physical examination offered to new beneficiaries as a "welcome to Medicare." This benefit illustrates a shift toward greater coverage for preventive services.

Under the bill, Medicare would cover screenings for heart disease and diabetes and would pay experts to coordinate care for elderly people with chronic illnesses.

Senator John Kerry, Democrat of Massachusetts, took time out from his presidential campaign to join the Senate debate. The Medicare bill, he said, "lines the pockets of powerful moneyed interests and leaves America's seniors out in the cold."

But Senator Susan Collins, Republican of Maine, urged support for the bill. "This historic opportunity may never come again, and we cannot afford to let it pass," she said.

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